

**TOWN OF MONTGOMERY, LOUISIANA**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

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# ROZIER, HARRINGTON & MCKAY

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June 11, 2015

### Independent Auditors' Report

To the Mayor and Board of Aldermen  
Town of Montgomery, Louisiana

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Montgomery, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund the Town of Montgomery, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**-Members-**

**American Institute of Certified Public Accountants • Society of Louisiana CPAs**

**OTHER MATTERS**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information described in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Supplemental Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Montgomery's basic financial statements. The Schedule of Per Diem Paid to Board Members and Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Other Supplemental Information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Per Diem Paid to Board Members and Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer are fairly stated in all material respects in relation to the basic financial statements as a whole.

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARD**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2015, on our consideration of the Town of Montgomery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Montgomery's internal control over financial reporting and compliance.

  
ROZIER, HARRINGTON & MCKAY  
Certified Public Accountants

# **Town Of Montgomery**

## ***Management's Discussion And Analysis*** ***December 31, 2014***

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This section of the Town of Montgomery's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended December 31, 2014.

### **OVERVIEW OF FINANCIAL STATEMENTS**

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

#### **Government –Wide Financial Statements**

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Town's assets and all of the Town's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including police protection, fire protection, culture, recreation, public works and general administration are reported as governmental activities. The governmental activities are financed by taxes, license fees, fines, court cost, interest, grants and contributions.
- **Business-Type Activities** – Expenses associated with providing utility services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with utility services are reported as business type activities.

#### **Fund Financial Statements**

Fund financial statements provide detailed information regarding the Town's most significant activities and are not intended to provide information for the Town as a whole. Funds are accounting devices that are used to account for specific sources of funds. The Town has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Town's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.
- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the Town's



# **Town Of Montgomery**

## **Management's Discussion And Analysis** **December 31, 2014**

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utility services. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

### **FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

A comparative analysis of government-wide data is presented as follows:

#### **Net Position**

A condensed version of the government-wide Statement of Net Position is presented as follows:

	<b>December 31, 2014</b>			<b>December 31, 2013</b>
	<b><u>Govern- mental Activities</u></b>	<b><u>Business- Type Activities</u></b>	<b><u>Total</u></b>	
<b><u>Assets:</u></b>				
Current and Other Assets	\$ 60,060	\$ 121,428	\$ 181,488	\$ 203,142
Capital Assets	36,358	1,714,000	1,750,358	1,898,454
Total Assets	<u>96,418</u>	<u>1,835,428</u>	<u>1,931,846</u>	<u>2,101,596</u>
<b><u>Liabilities:</u></b>				
Current and Other Liabilities	25,385	104,350	129,735	154,781
Long-term Liabilities	----	----	----	----
Total Liabilities	<u>25,385</u>	<u>104,350</u>	<u>129,735</u>	<u>154,781</u>
<b><u>Net Position:</u></b>				
Invested in Capital Assets (Net)	36,358	1,714,000	1,750,358	1,898,454
Unrestricted	34,675	17,078	51,753	48,361
Total Net Position	<u>\$ 71,033</u>	<u>\$ 1,731,078</u>	<u>\$ 1,802,111</u>	<u>\$ 1,946,815</u>

As the presentation appearing above demonstrates, the largest portion of the Town's net position (97.1%) is invested in capital assets. Net position invested in capital assets consist of land, buildings, and equipment. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

The remaining unrestricted net position (2.9%) may be used to meet the Town's ongoing obligations to citizens and creditors.

#### **Changes in Net Position**

A condensed version of the government-wide Statement of Changes in Net Position is presented as follows:

# **Town Of Montgomery**

## **Management's Discussion And Analysis** **December 31, 2014**

	<b>For the Year Ended December 31, 2014</b>			<b>For the Year Ended December 31, 2013</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Revenues:</b>				
Program Revenue:				
Charges for Services	\$ 31,492	\$ 527,092	\$ 558,584	\$ 514,495
Operating Grants and Contributions	25,194	9,671	34,865	91,010
Capital Grants and Contributions	----	----	----	53,747
General Revenue:				
Property Taxes	16,017	----	16,017	17,049
Sales Taxes	47,471	----	47,471	59,451
Franchise Taxes	14,627	----	14,627	13,989
Occupational Licenses	26,464	----	26,464	30,194
Miscellaneous	5,391	153	5,544	5,386
Total Revenue	<u>166,656</u>	<u>536,916</u>	<u>703,572</u>	<u>785,321</u>
<b>Program Expenses:</b>				
General Government	58,599	----	58,599	55,727
Public Safety				
Police Department	92,304	----	92,304	101,308
Fire Department	30,194	----	30,194	35,607
Sanitation	2,395	----	2,395	2,667
Public Works - Streets	28,225	----	28,225	12,917
Culture and Recreation	10,696	----	10,696	61,571
Utility System	----	625,863	625,863	635,433
Total Expenses	<u>222,413</u>	<u>625,863</u>	<u>848,276</u>	<u>905,230</u>
Increase in Net Position Before Transfers	(55,757)	(88,947)	(144,704)	(119,909)
Transfers	<u>45,340</u>	<u>(45,340)</u>	<u>----</u>	<u>----</u>
Change in Net Position	(10,417)	(134,287)	(144,704)	(119,909)
Net Position Beginning	<u>81,450</u>	<u>1,865,365</u>	<u>1,946,815</u>	<u>2,066,724</u>
Net Position Ending	<u>\$ 71,033</u>	<u>\$ 1,731,078</u>	<u>\$ 1,802,111</u>	<u>\$ 1,946,815</u>

Governmental activities decreased the Town's net position by \$10,417. This decrease is attributable to depreciation expense incurred in connection with assets acquired in previous years using grant funds.

Business-type activities decreased the Town's net position by \$134,287. Capital grants and related depreciation have contributed to the change in net position. Since the Town has been successful in securing grant funds to improve and replace components of its utility system, it is not considered necessary to recover depreciation through operations. Changes in net position excluding capital grants, contributions and depreciation for the utility system are presented as follows:

# **Town Of Montgomery**

## **Management's Discussion And Analysis** **December 31, 2014**

	<b>Govern- mental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
Change in Net Position	\$ (10,417)	\$ (134,287)	\$ (144,704)
Depreciation	14,178	144,118	158,296
Grant Funds and Contributions Dedicated to Acquiring Capital Assets	----	----	----
Change in Net Position Excluding Capital Grants, Contributions and Depreciation	<u>\$ 3,761</u>	<u>\$ 9,831</u>	<u>\$ 13,592</u>

After considering depreciation and grants, the remaining decline reflects using a portion of the Town's reserves to complete extraordinary repairs.

### **FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

For the year ended December 31, 2014, activity in governmental funds was limited to the general fund, which experienced an increase in fund balance of \$3,761. The only differences between amounts reported by the general fund and governmental activities reported in the government-wide financial statements are attributable to including fixed assets in the government-wide presentation.

Amounts reported for business-type activities in the Town's individual funds are identical to the business-type activities reported in the government-wide presentation.

### **GENERAL FUND BUDGET HIGHLIGHTS**

The general fund is the only fund required by law to adopt a budget. A summary of the general fund budget compared to actual amounts is presented as follows:

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget Positive (Negative)</b>
Total Revenues	\$ 200,000	\$ 152,000	\$ 166,656	\$ 14,656
Total Expenditures	265,000	208,500	208,235	265
Excess (deficiency) of revenues over expenditures	(65,000)	(56,500)	(41,579)	14,921
Operating Transfers	31,000	46,000	45,340	(660)
Net Change in Fund Balances	<u>\$ 34,000</u>	<u>\$ (10,500)</u>	<u>\$ 3,761</u>	<u>\$ 14,261</u>

The original budget adopted prior to the beginning of the fiscal year was amended in response to changes in anticipated revenue.



# **Town Of Montgomery**

## ***Management's Discussion And Analysis*** ***December 31, 2014***

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### **CAPITAL ASSET ADMINISTRATION**

Activity involving capital assets was limited to replacing some equipment that reached the end of its useful life.

### **DEBT ADMINISTRATION**

No debt was outstanding during the year ended December 31, 2014.

### **FACTORS EXPECTED TO AFFECT FUTURE OPERATIONS**

No significant factors are expected to affect operations in the near future.

# **Town of Montgomery**

## ***Statement of Net Position December 31, 2014***

	Governmental Activities	Business-Type Activities	Total
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 32,365	\$ 81,730	\$ 114,095
Receivables (net)	27,695	39,698	67,393
Capital assets not subject to depreciation	18,680	37,015	55,695
Depreciable capital assets, net	<u>17,678</u>	<u>1,676,985</u>	<u>1,694,663</u>
<b>Total assets</b>	<u>96,418</u>	<u>1,835,428</u>	<u>1,931,846</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	25,385	44,485	69,870
Meter deposits	<u>-</u>	<u>59,865</u>	<u>59,865</u>
<b>Total liabilities</b>	<u>25,385</u>	<u>104,350</u>	<u>129,735</u>
<b><u>NET POSITION</u></b>			
Invested in capital assets, net of related debt	36,358	1,714,000	1,750,358
Unrestricted	<u>34,675</u>	<u>17,078</u>	<u>51,753</u>
<b>Total net position (deficit)</b>	<u>\$ 71,033</u>	<u>\$ 1,731,078</u>	<u>\$ 1,802,111</u>

The accompanying notes are an integral part of the financial statements.

# **Town of Montgomery**

## **Statement of Activities**

**Year Ended December 31, 2014**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
<b><u>Governmental Activities:</u></b>							
General Government	\$ 58,599	\$ 6,500	\$ -	\$ -	\$ (52,099)	\$ -	\$ (52,099)
Public Safety							
Police Department	92,304	24,992	2,070	-	(65,242)	-	(65,242)
Fire Department	30,194		7,678	-	(22,516)	-	(22,516)
Sanitation	2,395	-	-	-	(2,395)	-	(2,395)
Public Works - Streets	28,225	-	15,446	-	(12,779)	-	(12,779)
Culture and Recreation	10,696	-	-	-	(10,696)	-	(10,696)
Total Governmental Activities	<u>222,413</u>	<u>31,492</u>	<u>25,194</u>	<u>-</u>	<u>(165,727)</u>	<u>-</u>	<u>(165,727)</u>
<b><u>Business-Type Activities:</u></b>							
Utility System	625,863	527,092	9,671	-	-	(89,100)	(89,100)
Total Business-Type Activities	<u>625,863</u>	<u>527,092</u>	<u>9,671</u>	<u>-</u>	<u>-</u>	<u>(89,100)</u>	<u>(89,100)</u>
Total Primary Government	<u>\$ 848,276</u>	<u>\$ 558,584</u>	<u>\$ 34,865</u>	<u>\$ -</u>	<u>(165,727)</u>	<u>(89,100)</u>	<u>(254,827)</u>
General Revenues:							
Taxes:							
Ad Valorem					16,017	-	16,017
Sales Taxes					47,471	-	47,471
Franchise					14,627	-	14,627
Occupational Licenses					26,464	-	26,464
Miscellaneous					5,391	153	5,544
Transfers					45,340	(45,340)	-
Total					<u>155,310</u>	<u>(45,187)</u>	<u>110,123</u>
Change in Net Position					(10,417)	(134,287)	(144,704)
Net Position Beginning					<u>81,450</u>	<u>1,865,365</u>	<u>1,946,815</u>
Net Position Ending					<u>\$ 71,033</u>	<u>\$ 1,731,078</u>	<u>\$ 1,802,111</u>

The accompanying notes are an integral part of the financial statements.

# **Town of Montgomery**

## **Balance Sheet - Governmental Funds December 31, 2014**

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	<u>General</u>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 32,365
Receivables (net)	<u>27,695</u>
<b>Total assets</b>	<b><u>\$ 60,060</u></b>
<b><u>Liabilities and Fund Balance</u></b>	
<b><u>Liabilities</u></b>	
Accounts payable	\$ 25,385
<b>Total liabilities</b>	<u>25,385</u>
<b><u>Fund Balance</u></b>	
Unassigned	<u>34,675</u>
<b>Total Fund Balances</b>	<u>34,675</u>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 60,060</u></b>

### **Reconciliation of the Governmental Funds Balance Sheets to the Statement of Net Position**

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Total Fund Balances - Governmental Funds	\$ 34,675
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>36,358</u>
Net Position of Governmental Activities	<b><u>\$ 71,033</u></b>

The accompanying notes are an integral part of the financial statements.

# **Town of Montgomery**

## **Statement of Revenue, Expenditures and Changes in Fund Balance Governmental Funds Year Ended December 31, 2014**

	<u>General</u>
<b><u>Revenues:</u></b>	
Taxes:	
Ad valorem	\$ 16,017
Sales Tax	47,471
Franchise	14,627
Occupational licenses	26,464
Intergovernmental	24,155
Fines and Court Cost	24,992
Miscellaneous	12,930
<b>Total revenues</b>	<u>166,656</u>
<b><u>Expenditures:</u></b>	
Current	
General government	56,611
Public Safety	
Police department	92,304
Fire department	18,004
Sanitation	2,395
Public works - streets	28,225
Culture and recreation	10,696
Capital outlay	-
<b>Total expenditures</b>	<u>208,235</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(41,579)
<b>Other sources (uses)</b>	
Operating transfers in	45,340
Operating transfers out	-
<b>Net Change in Fund Balances</b>	3,761
<b>Fund balance - beginning of year</b>	<u>30,914</u>
<b>Fund balance - end of year</b>	<u>\$ 34,675</u>

### **Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities**

Net change in fund balances of Governmental Funds	\$ 3,761
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over estimated useful lives and reported as depreciation expense. Capital outlay and depreciation expense are presented as follows:	
Capital Outlay	-
Depreciation Expense	(14,178)
Change in net position of governmental activities	<u>\$ (10,417)</u>

The accompanying notes are an integral part of the financial statements.



# **Town of Montgomery**

## **Statement of Net Position - Proprietary Funds** **December 31, 2014**

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### Business-Type Activities

#### Enterprise Funds

#### Utility System

### **ASSETS:**

#### Current Assets:

Cash and cash equivalents	\$ 81,730
Receivables (net)	<u>39,698</u>
Total current assets	<u>121,428</u>

#### Noncurrent Assets:

##### Capital Assets:

Capital assets not subject to depreciation	37,015
Depreciable capital assets, net	<u>1,676,985</u>
Total noncurrent assets	<u>1,714,000</u>

<b>Total assets</b>	<b><u>1,835,428</u></b>
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### **LIABILITIES:**

#### Current Liabilities:

Accounts payable	44,485
Meter deposits	<u>59,865</u>
Total current liabilities	<u>104,350</u>

<b>Total liabilities</b>	<b><u>104,350</u></b>
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### **NET POSITION:**

Invested in capital assets, net of related debt	1,714,000
Unrestricted	<u>17,078</u>

<b>Total net position (deficit)</b>	<b><u>\$ 1,731,078</u></b>
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# **Town of Montgomery**

## **Statement of Revenues, Expenses and Changes in Net Position**

### **Proprietary Funds**

**Year Ended December 31, 2014**

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	Business-Type Activities
	<u>Enterprise Funds</u>
	<u>Utility System</u>
<b><u>Operating revenues:</u></b>	
Charges for services	\$ 488,273
Miscellaneous	38,819
<b>Total Operating Revenues</b>	<u>527,092</u>
<b><u>Operating expenses:</u></b>	
Salaries and payroll taxes	119,279
Chemicals and supplies	63,989
Depreciation	144,118
Gas purchases	100,135
Insurance	35,124
Utilities	51,867
Repairs and maintenance	86,574
Miscellaneous	24,777
<b>Total operating expenses</b>	<u>625,863</u>
<b>Operating income (loss)</b>	<u>(98,771)</u>
<b><u>Non-operating revenues (expenses):</u></b>	
Interest income	153
Intergovernmental grants	9,671
<b>Total Non-operating revenues</b>	<u>9,824</u>
<b>Income (loss) before capital contributions and transfers</b>	(88,947)
<b><u>Contributions and transfers:</u></b>	
Operating transfers in (out)	<u>(45,340)</u>
<b>Change in net position</b>	(134,287)
<b>Total net position - beginning</b>	<u>1,865,365</u>
<b>Total net position - ending</b>	<u><u>\$ 1,731,078</u></u>

The accompanying notes are an integral part of the financial statements.

# **Town of Montgomery**

## **Statement of Cash Flows - Proprietary Funds Year Ended December 31, 2014**

	Business-Type Activities
	<u>Enterprise Funds</u>
	<u>Utility System</u>
<b><u>Cash flow from operating activities:</u></b>	
Cash received from customers	\$ 540,381
Cash payments to suppliers of goods and services	(398,549)
Cash payments to employees for services	(119,279)
<b>Net cash provided (used) by operating activities</b>	<u>22,553</u>
<b><u>Cash flows from non-capital financing activities:</u></b>	
Grant proceeds	9,671
Operating transfers out	(45,340)
<b>Net cash provided (used) by non-capital financing activities</b>	<u>(35,669)</u>
<b><u>Cash flows from capital and related financing activities:</u></b>	
Cash paid for capital assets	(10,200)
Capital grant proceeds	-
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(10,200)</u>
<b><u>Cash flows from investing activities:</u></b>	
Interest and other income	153
<b>Net cash provided (used) by investing activities</b>	<u>153</u>
<b>Net increase (decrease) in cash</b>	(23,163)
<b>Beginning cash balance</b>	104,893
<b>Ending cash balance</b>	<u>\$ 81,730</u>
<b><u>Reconciliation of operating income (loss) to net cash</u></b>	
Operating income (loss)	\$ (98,771)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	144,118
(Increase) decrease in accounts receivable	10,231
(Decrease) increase in accounts and other payables	(36,083)
(Decrease) increase in meter deposits	3,058
<b>Net cash provided (used) by operating activities</b>	<u>\$ 22,553</u>

### **Supplemental disclosures of cash flow information:**

For the year ended December 31, 2014, there were no operating, financing, or investing activities that did not result in cash receipts or payments.

# **Town Of Montgomery**

## ***Notes To Financial Statements***

***December 31, 2014***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Montgomery (the Town) is operated under the provisions of a Home Rule Charter adopted July 18, 1998. Under the terms of the charter, the Town is governed by its Mayor and a Town Council consisting of five members. In addition to general government operations, the Town also provides police protection, fire protection, street maintenance, sanitation, recreation, water distribution, natural gas distribution, wastewater collection and wastewater treatment.

The accompanying policies conform to generally accepted accounting principles for governmental units.

#### **Financial Reporting Entity**

As the municipal governing authority, for reporting purposes, the Town is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Town), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) established criteria for determining which component units should be considered part of the Town of Montgomery for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

1. Appointing a voting majority of an organization's governing body, and
  - a) The ability of the Town to impose its will on that organization and/or
  - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based upon application of these criteria, there were no potential component units and all of the Town's activities were included in the primary government reporting entity.

# **Town Of Montgomery**

## **Notes To Financial Statements**

**December 31, 2014**

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### **Basic Financial Statements**

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises.

The government-wide and fund financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

### **Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the Town as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude any fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

### **Fund Financial Statements**

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and proprietary funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The Town's major funds are described as follows:

- Governmental Funds – The Town's only active major governmental fund is its general fund. The general fund is the primary operating fund and is used to account for all governmental activities.
- Proprietary Funds – Are used to account for business type activities. Revenue earned in exchange for providing services is reported as operating income and revenue from other sources is reported as non-operating. Since proprietary funds operate in a manner similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises.



# **Town Of Montgomery**

## **Notes To Financial Statements**

**December 31, 2014**

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### **Basis of Accounting and Measurement Focus**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

<b><u>Financial Statement Presentation</u></b>	<b><u>Basis of Accounting</u></b>	<b><u>Measurement Focus</u></b>
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources
Proprietary Funds	Accrual Basis	Economic Resources
Fiduciary Funds	Accrual Basis	Economic Resources

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of accounting and the current financial resources measurement focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, compensated absences, claims and judgments are recorded as expenses when payment is made. Furthermore, when the current financial resources measurement focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt are reported as an other financing source and repayment of long-term debt is reported as an expenditure.

### **Non-Exchange Transactions**

Revenue from certain non-exchange transactions cannot be properly measured prior to collection. Furthermore, it is not practical to determine the probability of collection resulting from certain non-exchange transactions such as traffic citations. Consequently, revenue from certain franchise taxes, fines and court cost is not recognized until it is collected.

### **Use of Estimates**

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Restricted Assets**

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. In situations where it is permissible to spend restricted resources, the Town typically depletes the available restricted resources before consuming unrestricted resources.

# **Town Of Montgomery**

## **Notes To Financial Statements**

**December 31, 2014**

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### **Deferred Revenues**

Deferred revenues represent grant funds not fully expended at the end of the year. Grant fund revenues are recognized in the subsequent year as funds are expended to complete the obligations of the grant agreement.

### **Budget Practices**

Budget practices are governed by the Town's Home Rule Charter. In general, the Home Rule Charter considers the final budget from the previous year to be the original budget unless another original budget is adopted prior to the beginning of the year. Budgets are prepared for the Town's general fund by the Town Clerk under the supervision. Upon completion, the budget is submitted to the Board of Aldermen for approval. If amendments are necessary, the amended budgets are prepared and approved in the same manner as the original budget. The budget presents revenue and expenditures on a basis which is consistent with generally accepted accounting principles.

### **Capital Assets**

Capital assets are carried at historical cost including interest incurred during construction. Infrastructure capital assets consisting of streets, bridges, sidewalks and drainage systems acquired before August 1, 2003 are excluded from capital assets. Depreciation associated with capital assets is computed using the straight-line method over the estimated useful lives of the assets.

### **Cash and Cash Equivalents:**

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit and highly liquid investments. Credit risk associated with bank deposits is limited by requiring fiscal agent banks to pledge securities as required by State Law. Furthermore, interest rate risk associated with certificates of deposits is typically mitigated by purchasing instruments that mature in one year or less.

### **Statement of Cash Flows:**

For the purpose of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in banks and certificates of deposit.

### **NOTE 2 - CASH AND CASH EQUIVALENTS**

At December 31, 2014, cash balances were fully secured by FDIC coverage.

### **NOTE 3 - RECEIVABLES**

Details related to receivables at December 31, 2014 are presented as follows:

# **Town Of Montgomery**

## **Notes To Financial Statements**

**December 31, 2014**

	<u>Governmental</u>	<u>Business-Type</u>
Sales taxes	\$ 8,902	\$ ----
Ad valorem taxes	1,333	----
Franchise tax	2,810	----
LGAP Grant Proceeds	11,446	
Miscellaneous	3,204	----
Utility revenues	----	50,698
Allowance for doubtful accounts	----	(11,000)
Total receivables	<u>\$ 27,695</u>	<u>\$ 39,698</u>

### **NOTE 4 – ACCOUNTS PAYABLE**

At December 31, 2014, accounts payable consisted entirely of amounts payable to vendors in the ordinary course of business.

### **NOTE 5 - AD VALOREM TAXES**

The Town bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Grant Parish. For the year ended December 31, 2014, the Town levied 8.28 mills for general corporate purposes.

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year the tax is levied. Revenues from ad valorem taxes are recognized as revenue in the year billed.

### **NOTE 6 – CAPITAL ASSETS**

A summary of the property and equipment reported by the Town's enterprise funds at December 31, 2014 consists of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b><u>Governmental Activities</u></b>				
Land	\$ 18,680	\$ ----	\$ ----	\$ 18,680
<u>Assets Being Depreciated:</u>				
Buildings and Improvements	\$ 118,703	----	----	\$ 118,703
Machinery and Equipment	534,307	----	----	534,307
Total	653,010	----	----	653,010
Less Accumulated Depreciation	621,154	14,178	----	635,332
Total Net of Depreciation	\$ 31,856	\$ (14,178)	\$ ----	\$ 17,678

# **Town Of Montgomery**

## **Notes To Financial Statements**

**December 31, 2014**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b><u>Business-Type Activities</u></b>				
Land	\$ 37,015	\$ ----	\$ ----	\$ 37,015
<b><u>Assets Subject to Depreciation:</u></b>				
Equipment	\$ 155,774	\$ 10,200	\$ ----	\$ 165,974
Gas Distribution System	596,179	----	----	596,179
Sewer System	1,889,250	----	----	1,889,250
Water Distribution System	2,063,790	----	----	2,063,790
Total	4,704,993	10,200	----	4,715,193
Less Accumulated Depreciation	2,894,090	144,118	----	3,038,208
Total Net of Depreciation	\$ 1,810,903	\$ (133,918)	\$ ----	\$ 1,676,985

Depreciation expense reported by various functions is presented as follows:

**Governmental Activities:**

General Government	\$ 1,988
Fire Department	12,190
Total Depreciation – Governmental Activities	\$ 14,178

**Business-Type Activities:**

Utility Services	\$ 144,118
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### **NOTE 7- RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town insures against these risks by participating in a public entity risk pool that operates as a common insurance program and by purchasing commercial insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

### **NOTE 8 – OPERATING TRANSFERS**

In order to supplement the general fund and provide resources necessary for the general fund to meet its obligations, various funds have provided transfers to the general fund. These transfers are summarized as follows:

# **Town Of Montgomery**

## ***Notes To Financial Statements***

***December 31, 2014***

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	<b>Transfer In (Out)</b>	
	<b>General Fund</b>	<b>Utility Fund</b>
Transfers from funds with unrestricted surpluses to funds in need of additional resources	\$ 45,340	\$ (45,340)

### **NOTE 9 – CONTINGENCIES**

Existing conditions that may have financial consequences are referred to as contingencies. Contingencies existing at December 31, 2014 are described as follows:

#### **Litigation**

Like most governmental units with extensive and diverse operations, the Town is occasionally named as a defendant in litigation. At the present time, management is not aware of exposure to losses that could potential exceed insurance limits.



# **Town of Montgomery**

## **General Fund**

### **Statement of Revenues, Expenditures and Changes in Fund Balances**

#### **Budget and Actual**

**Year Ended December 31, 2014**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
<b><u>Revenues:</u></b>				
Taxes	\$ 83,500	\$ 83,500	\$ 78,115	\$ (5,385)
Occupational licenses	40,000	27,000	26,464	(536)
Intergovernmental	41,000	-	24,155	24,155
Fines and Court Cost	20,000	26,000	24,992	(1,008)
Miscellaneous	15,500	15,500	12,930	(2,570)
<b>Total revenues</b>	<b>200,000</b>	<b>152,000</b>	<b>166,656</b>	<b>14,656</b>
<b><u>General Government:</u></b>				
Current				
General government	107,000	72,500	56,611	15,889
Public Safety				
Police department	112,000	82,000	92,304	(10,304)
Fire department	20,000	15,500	18,004	(2,504)
Public works				
Sanitation	2,000	2,500	2,395	105
Streets	13,000	13,000	28,225	(15,225)
Culture and recreation	6,000	8,000	10,696	(2,696)
Contingency	-	10,000	-	10,000
Capital outlay	5,000	5,000	-	5,000
<b>Total expenditures</b>	<b>265,000</b>	<b>208,500</b>	<b>208,235</b>	<b>265</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(65,000)</b>	<b>(56,500)</b>	<b>(41,579)</b>	<b>14,921</b>
<b>Other sources (uses)</b>				
Operating transfers in	31,000	46,000	45,340	(660)
Operating transfers out	-	-	-	-
<b>Net Change in Fund Balances</b>	<b>(34,000)</b>	<b>(10,500)</b>	<b>3,761</b>	<b>14,261</b>
<b>Fund balance - beginning of year</b>	<b>36,946</b>	<b>30,914</b>	<b>30,914</b>	<b>-</b>
<b>Fund balance - end of year</b>	<b>\$ 2,946</b>	<b>\$ 20,414</b>	<b>\$ 34,675</b>	<b>\$ 14,261</b>

**TOWN OF MONTGOMERY**  
**SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS**  
**Year Ended December 31, 2014**

Vera Waters, Mayor	\$ 3,380
Denise Pearson	875
Joe Allen	950
Von Gilcrease	875
Jack Rushing	850
John Savant	<u>350</u>
Total	<u><u>\$ 7,280</u></u>

# **Town of Montgomery**

## ***Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer For the year ended December 31, 2014***

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### **Agency Head (Mayor) - Vera S. Waters**

**Purpose:**

Compensation	\$ 3,380
Benefits	-
Reimbursements	-

Total	<u>\$ 3,380</u>
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**The accompanying notes are an integral part of the financial statements.**

# ROZIER, HARRINGTON & MCKAY

## CERTIFIED PUBLIC ACCOUNTANTS

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**M. DALE HARRINGTON, CPA**  
**RETIRED - 2005**

June 11, 2015

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and Board of Aldermen  
Town of Montgomery, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Montgomery, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town of Montgomery's basic financial statements, and have issued our report thereon dated June 11, 2015.

#### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the Town of Montgomery's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Montgomery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Montgomery's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**-Members-**

American Institute of Certified Public Accountants • Society of Louisiana CPAs

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Town of Montgomery's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
ROZIER, HARRINGTON & McKAY  
Certified Public Accountants



# **Town Of Montgomery**

## **Schedule of Findings and Questioned Cost For the Year Ended December 31, 2014**

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### **PART I - SUMMARY OF AUDITOR'S RESULTS:**

- The Independent Auditors' Report on the financial statements of the Town of Montgomery as of December 31, 2014 and for the year then ended expressed an unqualified opinion.
- The audit did disclose any audit findings which are required to be reported as reportable conditions or material weaknesses.
- The results of the audit disclosed no instances of noncompliance that are considered to be material to the financial statements of the Town of Montgomery.

### **PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:**

- None.

### **PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:**

- None.

# **Town Of Montgomery**

## **Management's Corrective Action Plan For the Year Ended December 31, 2014**

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<b>SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.</b>	
No findings that are material to the financial statements were reported.	Response – N/A
<b>SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS</b>	
No findings that are material to the financial statements were reported.	Response – N/A
<b>SECTION III MANAGEMENT LETTER</b>	
No management letter was issued.	Response – N/A

# **Town Of Montgomery**

## ***Schedule Of Prior Year Findings And Questioned Cost For the Year Ended December 31, 2014***

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<b>SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.</b>	
No findings that are material to the financial statements were reported.	Response – N/A
<b>SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS</b>	
No findings that are material to the financial statements were reported.	Response – N/A
<b>SECTION III MANAGEMENT LETTER</b>	
No management letter was issued.	Response – N/A